

Dover Industries Limited
ANNUAL REPORT 1973





*This annual report
was designed and developed by
Howell Litho and Cartons Limited, Burlington, Ontario.*

Dover Industries Limited

Executive Offices: 145 MacNab St. North, Hamilton, Ontario

OPERATING

ROBINSON CONE COMPANY *Hamilton, Ontario*

SUBSIDIARY COMPANIES

CHERRY TAYLOR FLOUR MILLS LIMITED • *Chatham and Cambridge Divisions*

HOWELL LITHO AND CARTONS LIMITED • *Burlington, Ontario*

TAYLOR GRAIN LIMITED • *Chatham, Ontario*

DOVER MILLS LIMITED • *Halifax, Nova Scotia*

CAMBRO INDUSTRIES LIMITED • *Hamilton, Ontario*

DIRECTORS

Mrs. M. Campbell	J. R. McPhee	J. M. Vallance
J. M. Godfrey, Q.C.	W. H. Pinchin	D. H. Ward
D. M. Hunter	G. R. Sharwood	C. L. Weckman
E. C. Labarge	D. Smith	D. H. Wigle

OFFICERS OF THE COMPANY

President: Mrs. M. Campbell

Vice-Presidents: D. H. Wigle, D. M. Hunter, E. C. Labarge

Secretary-Treasurer: J. R. McPhee

TRANSFER AGENT AND REGISTRAR

CANADA PERMANENT TRUST COMPANY *Toronto, Ontario*

CONES, STRAWS & PLASTIC PRODUCTS

ROBINSON-CAMBRO

Sales Offices and Warehouses: Hamilton, Ontario • Montreal, Quebec

Warehouses and Sales Agents:

St. John's, Newfoundland	Fort William, Ontario	Edmonton, Alberta
Halifax, Nova Scotia	Winnipeg, Manitoba	Vancouver, British Columbia
Saint John, New Brunswick	Regina, Saskatchewan	Victoria, British Columbia
Quebec City, Quebec	Saskatoon, Saskatchewan	
North Bay, Ontario	Calgary, Alberta	

FLOUR & GRAIN • CHERRY TAYLOR FLOUR MILLS • TAYLOR GRAIN • DOVER MILLS

Direct Sales: Coast to Coast—Canada

Sales Agents:

England	Bermuda	Antigua	St. Lucia	Dominica	Trinidad
Scotland	Bahamas	Barbados	Montserrat	Guyana	Netherland Antilles
Portugal	Jamaica	Grenada	St. Vincent	St. Kitts	

PAPER BOXES, LABELS & POSTERS

HOWELL LITHO & CARTONS

Sales Offices: Burlington, Ontario • Montreal, Quebec

Sales Agents:

St. John's, Newfoundland	Quebec City, Quebec
Halifax, Nova Scotia	Vancouver, British Columbia
Saint John, New Brunswick	Jobber distribution coast to coast.

REPORT TO SHAREHOLDERS:

Your Directors herewith present the 33rd Annual Report of Dover Industries Limited, including Consolidated Statements for the year ending December 31, 1973, and a five year Financial Summary.

FINANCIAL HIGHLIGHTS:

Sales:

Total sales were \$23,808,143. for the year compared to \$18,708,345. in 1972. Flour and grain sales were up 33% and the other divisions report a 20% increase.

Earnings:

The Consolidated net profit for the year was \$665,115. up from \$354,180. the previous year. Earnings were \$2.11 per new Common Share after provision for taxes and Preferred dividends.

Dividends:

Dividends amounting to \$61,576. were paid on Preferred shares at 6% and \$131,394. or 46¢ per share on the new Common shares.

Working Capital:

Working Capital increased to \$1,483,077. from \$1,161,889. in 1972.

Inventories:

Inventories were \$3,446,831. compared to \$2,542,103. in 1972. This does not include wheat held at the National Harbour Board

Elevator in Halifax for use at Dover Mills Limited. (note 2)

Capital Expenditures:

Capital Expenditures for the year amounted to \$444,281. Again the major portion of this was for machinery at Howell Litho & Cartons consisting of new colour printing presses and a cutter and creaser for delivery in 1974.

OPERATIONS REVIEW:

Robinson-Cambro:

The Cambro Plastic Division operated at a profit with increased sales and volume. A new warehouse is being built adjacent to the Cone plant and a new cone machine is on order which will give us added capacity.

Howell Litho & Cartons:

Sales volume and production increased but shortages and slow delivery of box board made operations difficult.

Taylor Grain:

The grain markets in 1973 saw unusually high prices, and this with improved intake at the elevators, resulted in better than average profits.

Cherry Taylor Flour Mills:

Flour and feed sales increased substantially during 1973. The mills operated close to capacity while profits improved to a more normal

return on investment. It should be noted that flour prices were only increased in direct relation to the increased price of wheat. The improvement in profits was derived mainly from higher by-product prices and a better sales mix.

Dover Mills Limited:

Dover Mills sales of flour and feed also increased in the Atlantic Provinces. During the rail strike in August the mill operated continuously to keep that market area supplied and Dover Mills airlifted flour to Newfoundland which was particularly hard hit. The total output of mill feed was supplied to the local market, and this has become an important factor in the Maritime agricultural economy.

Summary:

With worldwide shortages of resin, paper and board some of our divisions could be adversely affected, but the increasing demand for food products would seem to assure us of good markets and satisfactory prices for our grain and the products of our flour mills.

Authorized Share Capital:

By-Law Number 10 which was approved by the shareholders on April 25, 1973, increased the authorized capital of the Company by creating an additional 300,000 common shares.

By-Law Number 11 which was approved by the shareholders on June 12, 1973 subdivided the common shares of the Company on a 2 for 1 basis.

The effect of these By-Laws was to increase the authorized common share capital of the Company to one million shares, of which 285,640 are issued and outstanding.

Annual Meeting:

The Annual Meeting of the company will be held on Friday, April 19, at 10:30 a.m. at Howell Litho and Cartons Limited, Mainway Avenue, Burlington. We hope as many shareholders as possible will be present.

It is with sincere appreciation, the Board of Directors, acknowledge the contribution of management and staff throughout the past year.

Respectfully submitted
on behalf of the Board

Mona Campbell

President
March 22, 1974

Dover Industries Limited

(Incorporated under the laws of Canada)

CONSOLIDATED BALANCE SHEET

December 31, 1973 (with comparative figures at December 31, 1972)

	ASSETS	1973	1972
CURRENT:			(restated — note 9)
Accounts receivable.....	\$ 2,615,778	\$1,621,707	
Inventories (note 2).....	3,446,831	2,542,103	
Prepaid expenses.....	74,728	30,581	
Total current assets.....	6,137,337	4,194,391	
FIXED (note 3):			
Land, buildings and equipment at cost.....	9,043,780	8,707,111	
Less accumulated depreciation.....	4,903,803	4,600,299	
	4,139,977	4,106,812	
OTHER:			
Mortgages receivable.....	50,000	10,000	
Goodwill (excess of cost of investments in subsidiaries over equity in net tangible assets at date of acquisition—note 9).....	62,903	69,892	
		\$10,390,217	\$8,381,095

See accompanying notes to financial statements.

On Behalf of the Board:

Mona Campbell *Director*

John R. McPhee *Director*

	LIABILITIES	1973	1972
CURRENT:			(restated — note 9)
Bank indebtedness (notes 2 and 4)	\$ 3,142,454	\$2,004,009	
Accounts payable and accrued charges	996,660	722,420	
Income and other taxes payable	323,471	131,369	
Dividends payable	15,394	15,394	
Long term debt instalments due within one year (note 5)	176,281	159,310	
Total current liabilities	4,654,260	3,032,502	
LONG TERM DEBT (note 5)	1,340,928	1,517,209	
DEFERRED INCOME TAXES	374,600	283,100	
SHAREHOLDERS' EQUITY:			
Capital stock (note 6)—			
Authorized:			
105,000 6% cumulative preferred shares of the par value of \$10 each redeemable at par			
1,000,000 common shares without par value			
Issued:			
102,626 preferred shares	1,026,260	1,026,260	
285,640 common shares	71,750	71,750	
Retained earnings (statement 2)	1,098,010 2,922,419 4,020,429 \$10,390,217	1,098,010 2,450,274 3,548,284 \$8,381,095	

AUDITORS' REPORT *To the Shareholders of Dover Industries Limited:*

We have examined the consolidated balance sheet of Dover Industries Limited and its subsidiaries as at December 31, 1973 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1973 and the results

of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to a change in the basis of accounting for goodwill as explained in note 9.

Hamilton, Canada,
February 20, 1974.

CLARKSON, GORDON & CO.
Chartered Accountants

Dover Industries Limited

CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1973 (with comparative figures for 1972)

STATEMENT OF INCOME

	1973	1972
Sales (note 7).....	\$23,808,143	\$18,708,345
Operating costs and expenses (including depreciation of \$364,584 in 1973 and \$324,912 in 1972).....	22,320,604	17,796,065
Income from operations.....	1,487,539	912,280
Interest:		
Long term debt.....	110,432	114,045
Bank indebtedness and other.....	157,192	133,755
	267,624	247,800
Income before taxes.....	1,219,915	664,480
Income taxes.....	554,800	310,300
Net income for year.....	\$ 665,115	\$ 354,180
Earnings per common share (restated in 1972 for stock split—note 6).....	\$2.11	\$1.02

STATEMENT OF RETAINED EARNINGS

Retained earnings at beginning of year as previously reported.....	\$ 2,965,862	\$ 2,787,514
Adjustment to reflect change in basis of accounting for goodwill (note 9).....	515,588	515,588
Retained earnings as restated.....	2,450,274	2,271,926
Net income for year.....	665,115	354,180
	3,115,389	2,626,106
Dividends declared—		
Preferred—60¢ per share.....	61,576	61,576
Common—46¢ per share in 1973; 40¢ in 1972 (restated for stock split—note 6).....	131,394	114,256
	192,970	175,832
Retained earnings at end of year.....	\$ 2,922,419	\$ 2,450,274

See accompanying notes to financial statements.

Dover Industries Limited

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS YEAR ENDED DECEMBER 31, 1973 (with comparative figures for 1972)

	1973	1972
Source of funds:		
Operations—		
Net income for year.....	\$ 665,115	\$ 354,180
Add (deduct):		
Depreciation.....	364,584	324,912
Deferred income taxes.....	91,500	100,100
Loss (gain) on disposal of fixed assets.....	34,502	(7,937)
Amortization of goodwill.....	6,989	
Funds from operations.....	1,162,690	771,255
Proceeds on disposal of fixed assets.....	12,030	11,476
Repayment of mortgage receivable.....	10,000	85,000
Total source of funds.....	1,184,720	867,731
Application of funds:		
Investment in non-current assets of subsidiary at date of acquisition less long term debt, \$50,000.....	180,442	
New facilities and equipment.....	444,281	363,105
Dividends to shareholders.....	192,970	175,832
Reduction of long term debt.....	176,281	152,812
Acquisition of mortgage receivable.....	50,000	
Total application of funds.....	863,532	872,191
Increase (reduction) in working capital.....	321,188	(4,460)
Working capital at beginning of year.....	1,161,889	1,166,349
Working capital at end of year.....	\$ 1,483,077	\$ 1,161,889

See accompanying notes to financial statements.

Dover Industries Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS December 31, 1973

(1) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the following wholly-owned subsidiary companies:

Howell Litho and Cartons Limited
Taylor Grain Limited
Cherry Taylor Flour Mills Limited
Dover Mills Limited
Cambro Industries Limited

(2) INVENTORIES

The inventories are valued at the lower of cost and net realizable value and consist of the following:

	1973	1972
Inventory of grains (see below)	\$1,052,863	\$ 695,584
Other raw materials.	648,290	535,102
Work in process.	426,205	185,574
Finished goods.	1,319,473	1,125,843
	<u>\$3,446,831</u>	<u>\$2,542,103</u>

Under The Canadian Wheat Board Act, the companies are permitted to borrow from their bankers on the security of wheat purchased and held as agent for the account of the Canadian Wheat Board. At December 31, 1973 such bank advances amounted to \$3,081,929 and have been applied in the accounts against the wheat inventory. Previously such wheat purchases were carried in inventories and the bank borrowings were included in bank indebtedness. For comparative purposes the 1972 figures have been restated by reducing inventory of grains and bank indebtedness by \$2,467,663.

(3) FIXED ASSETS	1973		1972
	Cost	Accumulated depreciation	Net book value
Land.	\$ 120,132	\$ 120,132	\$ 120,132
Buildings	2,988,765	756,794	2,231,971
Equipment	5,934,883	4,147,009	1,787,874
	<u>\$9,043,780</u>	<u>\$4,903,803</u>	<u>\$4,139,977</u>
			<u>\$4,106,812</u>

Depreciation has been provided on the straight-line basis at rates estimated to amortize the cost of the assets over their estimated useful life.

(4) BANK INDEBTEDNESS

Inventories and an assignment of book debts have been pledged to bankers as collateral security for a portion of the bank indebtedness, \$1,469,592.

(5) LONG TERM DEBT

Long term debt consists of:	1973	1972
10.2% first mortgage of a subsidiary company principal repayable in monthly instalments of \$1,300 and maturing on August 23, 1976.	\$ 41,600	\$ 57,200
7% first mortgage repayable in monthly instalments of \$360 including principal and interest, due June 10, 1974	12,947	16,237

LONG TERM DEBT (Cont.)

	1973	1972
5% debentures of a subsidiary company due February 28, 1975 (requiring yearly sinking fund payments of \$36,000)	72,000	108,000
7% first mortgage sinking fund bonds—Series A repayable in equal annual instalments to 1977 covering principal and interest and maturing on June 1, 1977	420,527	488,868
Series B repayable in equal annual instalments to 1987 covering principal and interest and maturing on June 1, 1987	970,135	1,006,214
	<u>1,517,209</u>	<u>1,676,519</u>
Less principal repayments due within one year	176,281	159,310
	<u>\$1,340,928</u>	<u>\$1,517,209</u>

Sinking fund payment requirements on the 7% first mortgage bonds during the next five years are as follows:

1974—\$111,734; 1975—\$119,553; 1976—\$127,922;

1977—\$136,876; 1978—\$146,457.

The 7% first mortgage sinking fund bonds are further secured by the guarantee of a subsidiary and a floating charge on all of the subsidiary's assets.

(6) SHARE CAPITAL

During the year the company obtained supplementary letters patent increasing the authorized common share capital from 200,000 to 500,000 common shares without par value. Subsequently the authorized and issued common shares were subdivided on a two for one basis.

(7) GROSS REVENUE BY CLASS OF BUSINESS

Gross revenue includes the following classes of business of the companies:

	1973	1972
Food products	\$18,266,871	\$14,249,523
Packaging materials	5,541,272	4,458,822
	<u>\$23,808,143</u>	<u>\$18,708,345</u>

(8) COMMITMENTS

Certain of the companies have outstanding orders for the purchase of new equipment approximating \$950,000. At December 31, 1973, \$126,000 deposited with suppliers for the acquisition of the assets has been included as a cost of fixed assets.

(9) CHANGE IN BASIS OF ACCOUNTING FOR GOODWILL—
Prior to 1973 the company followed the accounting practice of including as an asset without amortization, the cost of goodwill (excess of cost of investments in subsidiaries over equity in net tangible assets at date of acquisition). In 1973 this practice was changed retroactively to one of amortization of goodwill as an operating expense over an arbitrary period. Accordingly, the cost of goodwill incurred to December 31, 1971, \$515,588, has been deducted from retained earnings as at January 1, 1972. The cost of goodwill incurred during 1972, \$69,892, is being amortized over a ten-year period commencing in 1973.

(10) STATUTORY INFORMATION

As required by the provisions of the Canada Corporations Act, it is reported that expenses for 1973 include:

Aggregate remuneration of 13 directors as directors of Dover Industries Limited	\$ 6,575
Aggregate remuneration of six officers as officers of Dover Industries Limited (all of whom are directors)	\$206,344

Dover Industries Limited

FINANCIAL SUMMARY 1969 TO 1973

EARNINGS AND DIVIDENDS

	1973	1972	1971	1970	1969
Income before taxes.....	\$1,219,915	\$ 664,480	\$ 630,600	\$ 359,764	\$ 555,143
Income tax provision.....	\$ 554,800	310,300	289,300	187,000	297,800
Net income.....	\$ 665,115	354,180	341,300	172,764	257,343
Net income per preferred share.....	\$ 6.48	3.45	3.33	1.68	2.51
Net income per common share*.....	\$ 2.11	1.02	.98	.39	.69
Dividends per preferred share.....	\$.60	.60	.60	.60	.60
Dividends per common share*.....	\$.46	.40	.40	.40	.40
Earnings retained in business.....	\$ 472,145	178,348	165,468	(3,068)	81,511

FINANCIAL STATUS

	1973	1972	1971	1970	1969
Current assets**.....	\$6 137,337	\$4,194,391	\$4,753,313	\$3,918,572	\$3,730,194
Current liabilities**.....	\$4,654,260	3,032,502	3,586,964	3,079,880	2,434,764
Working capital.....	\$1,483,077	1,161,889	1,166,349	838,692	1,295,430
Current ratio.....	1.3 to 1	1.4 to 1	1.3 to 1	1.3 to 1	1.5 to 1
Plant and equipment (net).....	\$4,139,977	4,106,812	3,949,908	4,226,954	3,856,093
Stockholders' investment (capital and surplus)***.....	\$4,020,429	3,548,284	3,369,936	3,204,468	3,207,536
Common stock equity per share***.....	\$ 10.48	8.83	8.20	7.63	7.64
Shares of preferred stock outstanding.....	102,626	102,626	102,626	102,626	102,626
Shares of common stock outstanding*.....	285,640	285,640	285,640	285,640	285,640

*Restated 1969—1972 for stock split—note 6

**Restated 1969—1972 See note 2

***Restated 1969—1972 See notes 6 and 9

